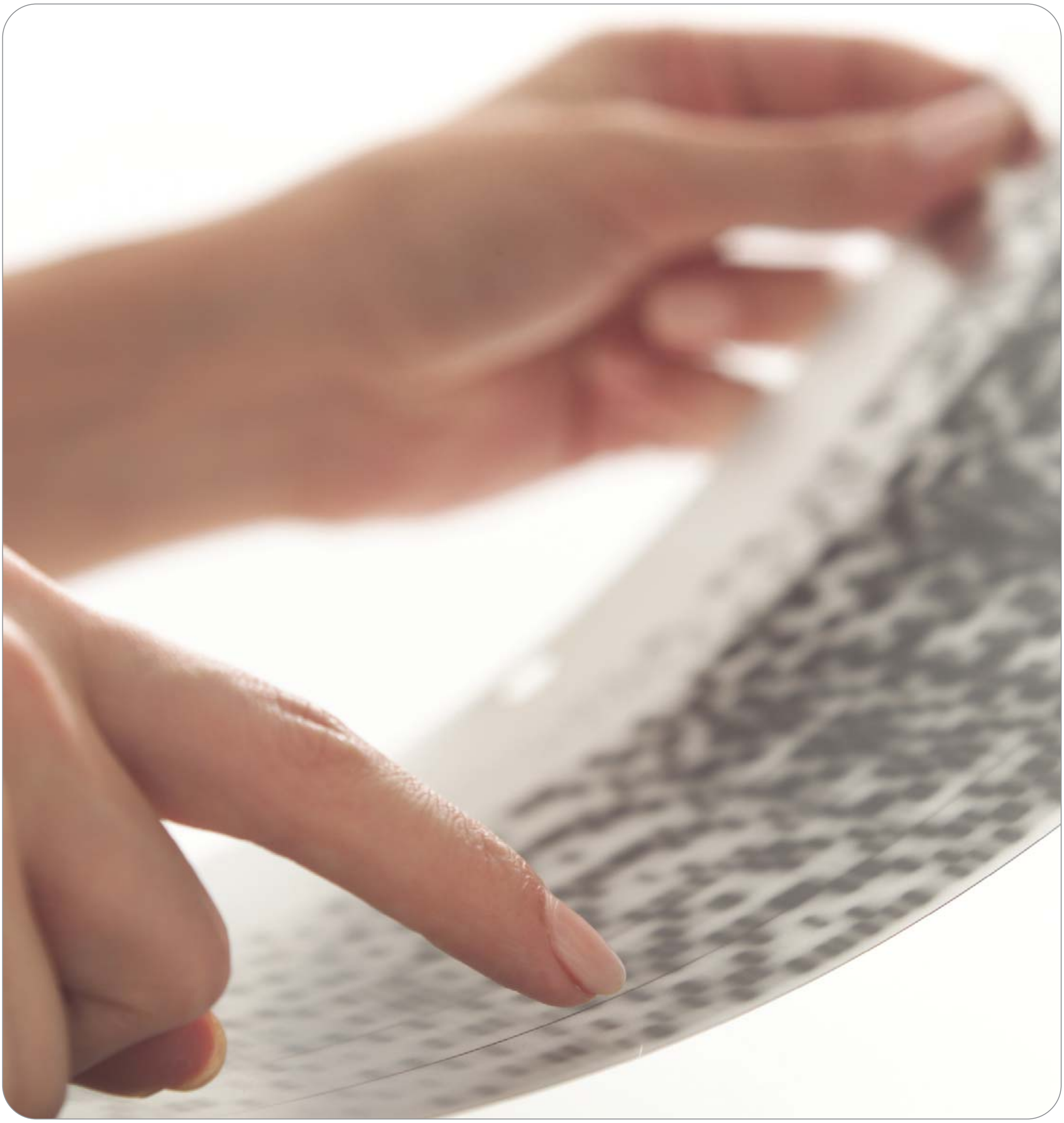
3i Bioscience Investment Trust plc
Annual report and accounts 2004



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Investment objective

The investment objective of the Company is to achieve long term capital growth by investing in life science and healthcare companies in which value growth is expected to occur through the development or application of novel technology.

Financial summary

	Year ended 30 September 2004
Closing shareholders' funds	**£121.5m**
Net asset value ("NAV") per share at year end	**271.7p**
Change in NAV per share	**–8.6%**
Change in the Company's benchmark index	**+5.9%**

Benchmark index

The Company's benchmark index is a composite capital return index comprising 60% of the return on the NASDAQ Biotechnology index rebased from US dollars to pounds sterling and 40% of the return on the FTSE techMARK Mediscience index.

For further information on 3i Bioscience Investment Trust plc, please visit our website at www.3ibioscience.com

Cover picture
Scientist holding a radiographic image from electrophoretic separation of a DNA sequence analysis

Chairman's statement

Market conditions

The year under review was a mixed one for stock markets in general and for biotechnology in particular. The NASDAQ Biotechnology index ("NBI") ended the year broadly unchanged and the FTSE techMARK Mediscience index rose by 30%. However, these statistics mask considerable periods of advance and retreat throughout the year. Economic and political uncertainties have, as ever, shaped investor attitudes. For the global healthcare sector, the US Presidential election and the healthcare policy reform agenda in the US have had a dampening effect.

Clinical and scientific developments have been largely positive, although disappointments appear to have had a greater impact on sentiment. Company fundamentals are intact and the sector continues to mature with an increase in the number of profitable companies. Companies have been able to raise funds in both the private and public markets, and we have seen the first Initial Public Offerings ("IPOs") in the sector for some time. Investor appetite for new issues, however, has been limited and has tended to temper price performance.

Performance

The NAV fell 8.6% in the year under review whilst the benchmark index rose 5.9%. The quoted portfolio has underperformed the benchmark index for the first time in three years, but the magnitude of the unquoted write-downs has been the principal cause of the overall underperformance.

Encouragingly, however, as indicated at the interim stage, more positive valuation drivers have come into play recently within the unquoted portfolio. For the first time since June 2002, the Directors have agreed a material write-up in the valuation of an unquoted investment, Paion, due to a funding round at a higher valuation validated by new investors, in which the Company participated. Paion followed that investment round by announcing a significant US marketing deal with Forest Laboratories. In addition, there have been two IPOs from the unquoted portfolio, Sosei in Japan and Epigenomics in Germany. New unquoted investments have been made in Ardana, Arakis and, since the year end, Novexel. Six portfolio companies agreed to merge with other companies, including Mitokor which had previously been valued at nil.

Change of Investment Manager

In July 2004, after four years as Investment Manager, 3i announced that it was withdrawing from the quoted asset management business. The Board was disappointed by this sudden move and since that time has been working with its advisers to select a new Investment Manager and to agree improvements to terms that will benefit shareholders. The Board has decided that the existing fund management team should continue to manage the Company in order to provide continuity in investment management, philosophy and strategy. The Board expects to be able to make an announcement on the investment management arrangements shortly.

Against this background, we are proposing a resolution to change the name of the Company to The Bioscience Investment Trust plc.

Board

Professor Bruce Ponder will not be seeking reappointment at the AGM since, following his appointment as Director designate of a major new cancer research institute in Cambridge, he is having to cut down on his other commitments. I should like to thank him for his contribution to the Company and wish him well in his important new role.

Outlook

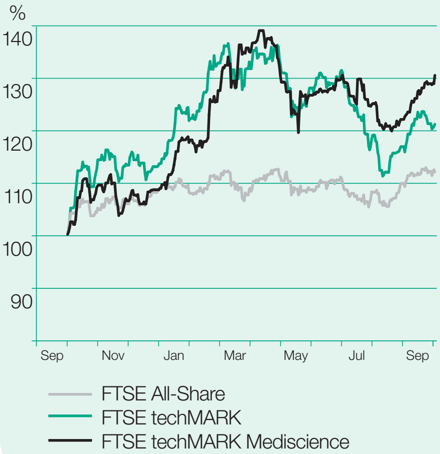
Stock markets are unpredictable and individual biotechnology share prices can be more volatile than the broader market indices. The last financial year has seen periods of market correction, perhaps driven by concerns about valuation levels in the US. The resignation of the US Food and Drug Administration ("FDA") Commissioner and a more cautious attitude at the FDA have resulted in fewer drug approvals than in previous years. These problems appear less serious than those of the pharmaceutical industry, which include price regulation, generic competition and drug re-importation. Around 40% of our portfolio at the year end consisted of biotechnology companies which had already reached profitability and have attractive prospects for earnings growth; our investments in earlier stage companies represent longer term hopes for major breakthroughs.

Overall, the Board expects continuing progress for the sector at large, with the possibility of excellent returns from individual companies.

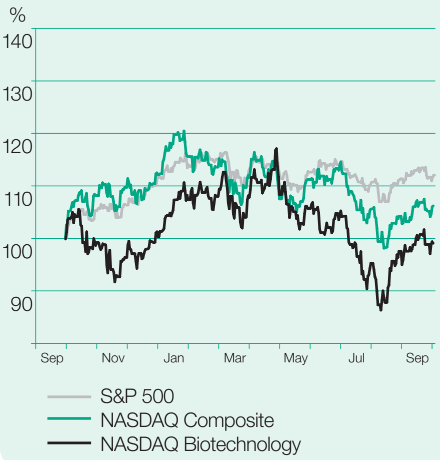
Douglas McDougall
24 November 2004

Investment Manager's review

FTSE All-Share, FTSE techMARK and FTSE techMARK Mediscience indices
30 September 2003 to 30 September 2004



S&P 500, NASDAQ Composite and NASDAQ Biotechnology indices
30 September 2003 to 30 September 2004



Market review

Stock markets for most of the year under review have traded within a narrow range with the broad market indices advancing by about 10% over the 12 months. In biotechnology, the summer rally of 2003, which saw both the Company's benchmark index and quoted portfolio appreciate by over 50%, was always going to be a hard act to follow. Soon after the start of the Company's financial year, there was a period of retrenchment and, in general, a pattern of advance and retreat has continued throughout the year. Market weakness has been attributed at various times to the consequences of oil price strength, the US trade deficit and weakness of the US dollar, the impact of the US Presidential election, and concerns over the level of equity valuations.

The two components of the benchmark index have shown quite different returns over the year under review. The NBI, a broad index of about 150 stocks, fell by 0.8%. Fortunes of the individual companies in the NBI were mixed, with slightly more retreating than advancing. Among the fallers was Amgen, the largest biotechnology company in the world, which fell by nearly 8%. The advancers were led by Biogen IDEC, which is developing Antegren, currently perceived to be a potential blockbuster for the treatment of multiple sclerosis.

The FTSE techMARK Mediscience index, the second component of our benchmark index, gained 30.3% over the year. Elan Corporation, in which the Company has chosen not to invest because of an accounting inquiry by the SEC, contributed 77% of this gain. The acquisition of Celltech by UCB also had a significant positive impact on the benchmark index. The performance of the UK biotechnology sector excluding these two companies is more in line with the US, with nearly as many companies retreating as advancing.

The period of fundraising that began in the US in summer 2003 continued through much of 2004 with the flotation of over 30 biotechnology companies, primarily in the US. Those companies that floated have enjoyed mixed success. A number of them with late stage products nearing commercialisation have performed well; however, a larger number of companies with little news flow, or which have suffered product failures, have failed to attract investor support and have fallen by up to 70% from their issue prices. In Europe, IPO activity has been significantly slower than the US, reflecting more reticent European investors.

Performance

In the year under review, the NAV of the Company fell by 8.6% while the benchmark index rose by 5.9%. The quoted portfolio fell by 0.3%. This is the first time the quoted portfolio has underperformed the benchmark index in three years. The quoted portfolio at the year end comprised 61 holdings, including investments in Australia and Japan, compared to the benchmark index of about 180 stocks located only in the UK and the US. Our investment policy has always been to focus on those biotechnology companies which we believe will perform well in the long term, rather than making investment decisions led by the composition of the benchmark index.

Unquoted portfolio

At 30 September 2004, the value of the unquoted portfolio was £17.8 million, representing 15.1% of the Company's total portfolio. The unquoted portfolio comprised 34 holdings including two warrants for quoted shares valued on the underlying share price. Of the other investments: two, totalling £5.3 million, are held above cost; seven, totalling £5.8 million, are valued at cost; and the balance, totalling £5.9 million, are held below cost. The nine private investments held at or above original cost represented 62% of the unquoted portfolio. Of those nine investments, all except one have raised funds in the last two years.

After two and a half years during which the unquoted portfolio has been dominated by write-downs, the first signs of recovery are beginning to appear. The quoted market is not the only exit for successful (rather than just mature) private companies and whilst its appetite for new issues has been tested in the year under review, other exits such as trade sales and management buyouts have occurred throughout the last two years and we believe that these trends will continue.

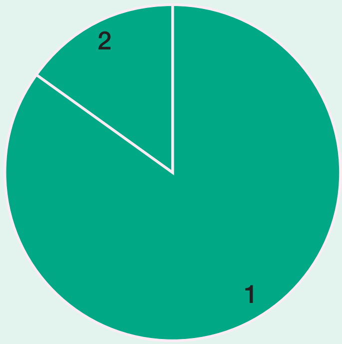
During the year, there have been eight realisations from the unquoted portfolio. These included the IPO of Sosei on the Tokyo Stock Exchange and the sale of Onux Medical to CR Bard in the US. The Company received shares in two publicly quoted Canadian companies: Inflazyme from its merger with AdProtech and Migenix from its merger with MitoKor. VenPro merged with portfolio company 3F Therapeutics as a result of which the Company received further unquoted shares in the latter.

Over the summer, Epigenomics listed on the Frankfurt Stock Exchange, the first biotechnology company to IPO in Germany since the collapse of the Neuer Markt in 2001. Molecular Staging also announced in August 2004 that it had agreed to be acquired by Qiagen.

We made new investments in two new companies. Ardana, based in Edinburgh, is a spin out from the Medical Research Council's Reproductive Health Unit and has products already on the market. Arakis, based in Cambridge, is a development stage company focused on inflammatory diseases and cancer, with two drug candidates in Phase II clinical trials. The Company made further investments in eight portfolio companies which have raised finance in the year. An investment was made in the €10 million fourth round of the German company, Paion, following positive results from the Phase II trial of the company's lead drug candidate for the treatment of stroke. Paion went on to sign a US marketing collaboration with Forest Laboratories. The Company also invested in a second financing round raised by immunotherapy company Onyvax, based in London. Onyvax released positive Phase II clinical trial data for its prostate cancer vaccine, showing that the drug appears able to extend progression-free survival.

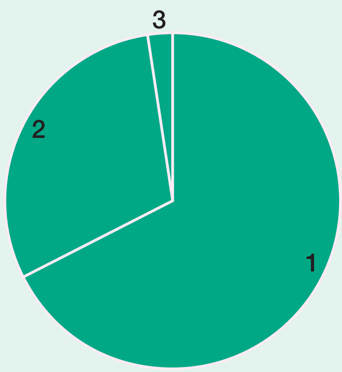
Portfolio analysis

Analysis of total portfolio by value
as at 30 September 2004



1 Quoted and restricted quoted 84.9%
2 Unquoted 15.1%

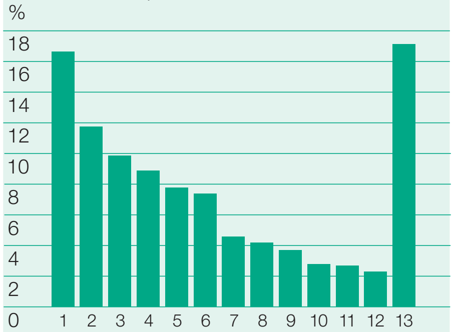
Geographical analysis of total portfolio by value
as at 30 September 2004



1 North America 67.5%
2 Europe 30.1%
3 Rest of world 2.4%

Portfolio analysis

Sector allocation of investee companies by value
as at 30 September 2004



1 Cancer	16.7%
2 Anti-infectives	11.8%
3 Cardiovascular	9.9%
4 Devices	8.9%
5 Biopharmaceuticals	7.8%
6 Protein and antibody engineering	7.4%
7 Speciality pharmaceuticals	4.6%
8 Diagnostics	4.2%
9 Genomics/discovery	3.7%
10 Endocrine	2.8%
11 Drug delivery	2.7%
12 Immunology	2.3%
13 Others	17.2%

Despite the progress made at these and other portfolio companies, the valuation of the unquoted portfolio as a whole remains significantly below cost. Whilst the Board agreed a valuation uplift for Paion after the funding round, which was higher than the previous carrying value, this was offset by significant write-downs elsewhere in the portfolio.

The Company's largest unquoted investment is now Paion. After the investment round and licence deal referred to above, Paion represents a likely early IPO candidate when markets allow. In September 2004, Strakan, the Company's third largest unquoted investment, completed its merger with Proskelia of France to create ProStrakan. Shortly after 30 September 2004, ProStrakan completed a funding round in which the Company participated. ProStrakan has its own salesforce selling products in the UK and France and a seasoned management team from Shire Pharmaceuticals. ProStrakan is another candidate for an early exit into a quoted market.

Quoted portfolio

The quoted and restricted quoted portfolio comprised 61 holdings valued at £100.4 million at the year end compared to 66 companies valued at £108.2 million at the start of the year.

During the year under review, we saw a number of companies acquired from the portfolio. Tularik was acquired by Amgen, Esperion by Pfizer and Ilex Oncology announced that it was being bought by Genzyme. Other strong performances were registered by Gilead, after the earlier than anticipated approval of Truvada for HIV; Atherogenics, on positive clinical results for its lead cardiovascular compound in Phase III; and OSI Pharmaceuticals, on clinical results that showed its drug, Tarceva, extends survival in lung cancer patients.

On valuation grounds, we reduced the Company's holdings in some of the large capitalisation companies such as Amgen, Genentech, Gilead Sciences and Shire Pharmaceuticals. We divested the Company's holding in Chiron before the UK Medicines & Healthcare Products Regulatory Agency suspended Chiron's licence to manufacture influenza vaccine. The Company increased its holdings in Align Technology, Gen-Probe and GPC Biotech. First time investments were made in United Therapeutics, which has a product on the market for pulmonary arterial hypertension; DOV Pharmaceuticals, after it had a regulatory setback which has since been resolved; MGI Pharma, which has a drug to ameliorate nausea and vomiting; and Advanced Neuromodulation Systems, which has an implantable electrostimulation device on the market for pain relief.

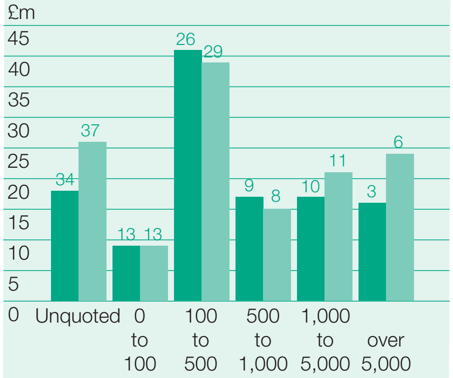
Table 1 – Major biotechnology FDA approvals 2003/04

Approved drug trade name	Indication	Company
Avastin	Colorectal cancer	Genentech[1]
Cialis	Erectile dysfunction	Icos[1]/Eli Lilly
Erbitux	Colorectal cancer	ImClone/BMS
Fozrenol[3]	End stage renal disease	Anormed[1]/Shire Pharmaceuticals[1]
Riperdal Consta	Schizophrenia	Alkermes[1]/Johnson & Johnson
Sensipar	Hyperthyroidism	Amgen[1]/NPS Pharmaceuticals[1,2]
Truvada	HIV infection	Gilead Sciences[1]
Vidaza	MDS (oncology)	Pharmion

Notes
[1]Portfolio company
[2]Since divested
[3]After period end

Portfolio analysis

Market capitalisation of investee companies
as at 30 September 2004



Market capitalisation £m

Figures above bars represent number of companies

Investment philosophy

Our focus is to invest in the best biotechnology companies anywhere in the world taking into account their prospects and their valuations. This geographic diversification is complemented by diversification in market capitalisation, and by investing in both profitable and early-stage biotechnology companies. At the year end, approximately 40% of the Company's portfolio was invested in profitable biotechnology companies located on three continents.

At 30 September 2004, the Company held £4.1 million in cash, a relatively high level since the Company generally aims to be close to fully invested. This cash level anticipated new unquoted investments, which are expected to have completed in the first quarter of the current financial year. We continue only to make unquoted investments if we cannot find comparable value or clinical, regulatory or commercial advantages in the quoted global biotechnology market. That market currently comprises close to 700 potential investments.

Industry review and outlook

Looking forward, we believe, for several reasons, that the industry faces a challenging period. Firstly, in March 2004, Dr Mark McClellan resigned as the FDA Commissioner to accept the appointment as Commissioner of the Centre for Medicaid and Medicare Services ("CMS"). Dr McClellan has been praised for his work at the FDA. Just before his departure, the first anti-angiogenesis antibody drug, Avastin, was approved, earlier than expected, with a broad label for first-line metastatic colorectal cancer in February 2004. Similarly, Erbitux from ImClone Systems and Bristol-Myers Squibb for refractory metastatic colorectal cancer was approved earlier than expected in January 2004. A more cautious FDA has emerged since Dr McClellan's departure marked by a number of non-approvals, deferred approvals or delayed decisions.

Table 2 – Major biotechnology M&A activity 2003/04

Target	Acquirer
Amersham[1,2]	General Electric
Applied Molecular Evolution[1,2]	Eli Lilly
Atrix Laboratories	QLT, Inc.[1,3]
Celltech	UCB
Esperion[1,2]	Pfizer
Ilex Oncology[1,2]	Genzyme[1,2]
Profile Therapeutics[1,2]	Respironics, Inc.
Tularik[1,2]	Amgen[1]
Warner Chilcott[3]	Waren Acquisition Limited

Notes
[1]Portfolio company
[2]Since divested
[3]Transaction yet to complete

Secondly, pricing pressures have escalated, including: proposed changes to the methodologies that the CMS uses to set the reimbursement levels in the US market; drug re-importation to the US; and further price cuts in the UK, France and Germany through government regulated pricing mechanisms. For the most part, these pricing controls impact high volume pharmaceutical drugs, rather than the lower volume high value, niche biotechnology drugs.

Lastly, the pharmaceutical sector continues to face wide ranging pressures. Sales are falling due to an acceleration in the number of drugs coming off patent, prices are under pressure in many markets and in the last year there was an increase in product litigation. These pressures are an unwelcome distraction for pharmaceutical companies and they affect our sector since many of those companies have a strategy of replenishing their pipelines by acquiring products from biotechnology companies. It is to be hoped that in the near future the biotechnology sector will again benefit from corporate merger and acquisition activity and be the beneficiary of in-licensing activity.

In stock markets where broader economic, geopolitical and valuation concerns limit rises, biotechnology should outperform. This is because the products of years of research and development, compounds and treatments with therapeutic utility, have an attraction to doctors and patients that is to some extent removed from conventional commercial considerations. If the outcome of research is positive and the end market is large enough, the result is frequently share price appreciation.

We are hopeful that the improving trend we have already seen in exits, IPOs and up-round valuations in the Company's unquoted portfolio will continue, and that many of the Company's investments will reach these milestones. We believe that the unquoted opportunities presented to the Company in the last six months, some of which had not completed by 30 September 2004, are of excellent quality and well funded by syndicates of prestigious investors. This bodes well for when the next meaningful IPO window opens, and it is possible that this will be in Europe rather than the US.

3i Investments plc
24 November 2004

Board of Directors and Investment Manager

Board of Directors

Douglas McDougall, OBE*†#
Chairman (Aged 60)
Appointed to the Board in 1999.
Chairman of the Management Engagement Committee.

Chairman of The Law Debenture Corporation plc, The Independent Investment Trust plc, Foreign and Colonial Eurotrust plc and The Scottish Investment Trust plc.

Former senior partner of Baillie Gifford & Co and former Chairman of IMRO, The Association of Investment Trust Companies and the Fund Managers' Association.

Robert Sinclair, FCA*†#
Director (Aged 55)
Appointed to the Board in 1999.
Senior independent non-executive Director and Chairman of the Audit Committee.

Chairman of the Guernsey based Artemis Group and a Director of a number of investment fund management companies and investment funds associated with clients of that group.

Dr Richard Summers#
Director (Aged 59)
Appointed to the Board in 1999.

Former executive Director of 3i Group plc. A former non-executive Director of 3i European Technology Trust plc and a former Director of 3i Investments plc.

Professor Christopher Lowe*†#
Director (Aged 59)
Appointed to the Board in 2000.

Director of the Institute of Biotechnology, University of Cambridge and a non-executive Director of Cambridge Sensors Ltd, Smart Holograms Ltd, Purely Proteins Ltd and The Challenge Fund Trading Company Limited.

Professor Bruce Ponder, FRCP, FRCPath, FMedSci, FRS†#
Director (Aged 60)
Appointed to the Board in 2000.

Cancer Research UK Professor of Oncology at the University of Cambridge, Director designate of the new cancer research institute in Cambridge and honorary Consultant Physician, Addenbrooke's Hospital, Cambridge.

* Member of the Audit Committee
† Member of the Management Engagement Committee
\# Member of the Nomination Committee

Consultant to the Board

Dr John Bradfield, CBE
(Aged 79)
Founder of the Cambridge Science Park and Chairman of the Cambridge University Biotechnology Syndicate.

Formerly a Cambridge University researcher in cell biology, Senior Bursar of Trinity College Cambridge, Chairman of Addenbrooke's NHS Trust, Cambridge and a non-executive Director of Anglian Water plc, The Cambridge Water Company, Cambridge Building Society and 3i Bioscience Investment Trust plc.

Investment Manager

The Investment Manager of 3i Bioscience Investment Trust plc ("3i Bioscience") is the Asset Management division of 3i Investments plc, which is authorised and regulated by the Financial Services Authority.

On 7 July 2004, it was announced that 3i Investments plc would be exiting the business of quoted fund management. The Board is conducting a search for a replacement Investment Manager.

Against this background the Board will propose a resolution at the AGM to change the Company's name to The Bioscience Investment Trust plc, reflecting the fact that the 3i name is no longer applicable.

Ten largest unquoted investments

at 30 September 2004

	Investment	Total value of investment £'000	% of total portfolio	Business activity
1	Paion GmbH Aachen, Germany *see note on page 9	2,890	2.4	Founded in July 2000 to develop compounds for the indication of stroke. The company has acquired the rights to several products in early stage development from Schering and Millennium Pharmaceuticals. The lead product, a thrombolytic which is intended to dissolve the blood clots that cause stroke, is in Phase II clinical trials in the US and Europe and has recently been licensed to Forest Laboratories in the US.
2	3F Therapeutics, Inc. Lake Forest, California, USA	2,434	2.1	3F Therapeutics, Inc. was formed in 1998 to develop, manufacture, and market innovative cardiovascular devices for patients with currently unmet clinical needs. The company bases the design of its heart valves on the premise that functional requirements dictate form, "Form Follows Function". 3F employs a simple, tubular biological material that assumes the correct valvular form once it is implanted within the heart based on the required biological function of the valve. The company is conducting human clinical studies of its lead valve in the US and Europe.
3	ProStrakan Group plc Galashiels, UK	1,500	1.3	ProStrakan develops and markets pharmaceutical products for the skin and bone disease markets. ProStrakan has built an extensive portfolio of nine products in clinical development and has signed two major out-licensing deals to date. The development portfolio is based on four main technology platforms including topical nitric oxide ("NO") and glycoside conjugates. Topical NO targets a wide range of antimicrobial and antiviral products such as molluscum contagiosum, anogenital warts and acne. The glycoside technology aims to improve oral bioavailability of hormone drugs.
4	Valley Forge Pharmaceuticals, Inc. Irvine, California, USA	1,445	1.2	Focused on preventing the development of near-sightedness, which is most often caused by excessive lengthening of the eye during childhood and teenage years.
5	Molecular Staging, Inc. Guilford, Connecticut, USA	1,382	1.2	Molecular Staging, Inc. develops new products and services that improve the ability to detect, characterise and stage disease, and to identify disease-related genes that will be targets of therapeutic and diagnostic products. The company uses its proprietary technologies to identify molecular abnormalities at the level of disease-related genes, proteins and/or small molecules. These technologies include an amplification technology; a procedure for identifying disease-related genes; and a process for characterising mutation at the chromosomal level. The company holds an exclusive licence from Yale University for these technologies.
6	Igeneon AG Vienna, Austria	1,345	1.1	Igeneon develops innovative treatments in the area of cancer immunotherapy with a focus on cancer vaccines and monoclonal antibodies. The company has products in clinical development, a pre-clinical pipeline to feed in a continuous stream of innovations and a technology platform based on a broadly applicable autologous vaccination strategy that will be leveraged via external collaborations.
7	Onyvax Ltd London, UK	1,280	1.1	Onyvax is developing therapeutic cancer vaccines that harness the selective power of the immune system to seek out and destroy tumour cells. Onyvax has three products in clinical trials for the treatment of prostate and other major cancers. The company's lead products are based on combinations of inactivated cell lines that induce immune responses to a wide spectrum of cancer-associated targets.

	Investment	Total value of investment £'000	% of total portfolio	Business activity
8	Apatech Ltd London, UK	900	0.8	Apatech, founded in 2001 on research and intellectual property from London and Cambridge Universities, is an orthopaedics company specialising in bone graft substitutes. The company has developed ApaPore, a synthetic and porous hydroxyapatite, and Pore-Si, a calcium phosphate based bone graft substitute to address the unmet needs of the bone graft market. The two products are both FDA approved.
9	HBM BioVentures Ltd Zurich, Switzerland	819	0.7	HBM BioVentures is an investment company that invests primarily in later-stage private equity and publicly traded companies in the biotechnology, emerging pharmaceutical, medical technology and related industries. In 2002, HBM Biosciences merged with biotech seed finance fund, NMT AG, in which 3i Bioscience had a stake.
10	Arakis Ltd London, UK	600	0.5	Arakis is an emerging speciality pharmaceutical company, with a commercial focus on inflammatory diseases and oncology adjunctive therapy. The company focuses its research on cytokine and receptor mediated mechanisms of disease and identifies, develops and commercialises product opportunities based upon new clinical uses for known drugs.
	Total of 10 largest unquoted investments	**14,595**	**12.4**	
	Remaining 24 unquoted investments	3,204	2.7	
	Total of 34 unquoted investments	**17,799**	**15.1**	

*The Company's largest investments at 30 September 2004 included the following unquoted share investment, which did not pay a dividend to the Company in the year:

Investment	Proportion of capital held %	Cost £'000	Earnings per share	Net assets attributable to holding €'000
Paion GmbH	5.8	2,479	**	474

**No earnings per share are published for Paion GmbH.

Twenty largest quoted investments

at 30 September 2004

Investment		Market value £'000	% of total portfolio	Business activity
1	Amgen, Inc.	5,023	4.2	Researches, develops and commercialises advanced human therapeutics based on cellular and molecular biology with $8 billion in product sales.
2	Gilead Sciences, Inc.	4,958	4.2	Discovers, develops and commercialises proprietary therapeutics for infectious diseases including HIV and hepatitis B with five products currently marketed.
3	Align Technology, Inc.	4,180	3.5	Manufactures and markets proprietary customised clear plastic removable "Aligners" to treat individual orthodontic conditions.
4	Acambis plc	3,997	3.4	Discovers, develops and manufactures novel vaccines to prevent and treat infectious diseases, including smallpox, for which the company has contracts with the US government.
5	Shire Pharmaceuticals Group plc	3,985	3.4	Develops, acquires and commercialises a broad portfolio of speciality pharmaceuticals for central nervous system disorders, metabolic diseases, oncology and gastroenterology.
6	Celgene Corp.	3,475	2.9	Discovers, develops and commercialises small molecule drugs for cancer and immunological diseases.
7	Protein Design Labs, Inc.	3,235	2.7	Owns substantial proprietary intellectual property rights in the field of humanised antibodies and is currently developing its own antibody drugs in the field of immunotherapy.
8	Alizyme plc	2,921	2.5	Develops innovative therapeutics for gastrointestinal and metabolic diseases. Lead products in Phase III clinical trials.
9	Gyrus Group plc	2,713	2.3	Develops and markets bipolar electro-surgery equipment for use in tissue management for gynaecology, urology and general surgery.
10	Advanced Neuromudulation Systems, Inc.	2,684	2.3	Develops inplantable neurostimulation and drug pump technologies for treatment of chronic pain and neurological disorders.
11	Anormed, Inc.	2,666	2.3	A chemistry-based biopharmaceutical company focused on the discovery, development and commercialisation of new therapeutic products in the areas of haematology, HIV and oncology.
12	DOV Pharmaceutical, Inc.	2,557	2.2	Discovers in-licenses, develops and commercialises novel drug candidates for central nervous system and other disorders.
13	Gen-Probe, Inc.	2,424	2.1	Develops, manufactures and markets rapid, accurate and cost-effective nucleic acid testing products for diagnosing human diseases and screening donated human blood.
14	United Therapeutics Corp.	2,413	2.0	Focused on combating chronic and life-threatening cardiovascular, infectious and oncological diseases.
15	MGI Pharma, Inc.	2,360	2.0	Acquires, develops and commercialises proprietary products that address the unmet needs of cancer patients.
16	Genentech, Inc.	2,317	2.0	Discovers develops and commercialises therapeutic protein products including monoclonal antibodies, with over 10 products currently marketed.
17	Atherogenics, Inc.	2,185	1.8	Discovers and develops novel drugs for the treatment of chronic inflammatory diseases, such as atherosclerosis, asthma, and arthritis.
18	GPC Biotech, AG	2,185	1.8	Discovers in-licenses and develops anticancer drugs including small molecules and monoclonal antibodies.
19	Alkermes, Inc.	2,168	1.8	Discovers and develops novel drug delivery technology for oral and inhaled drugs and injectables.
20	Neurocrine Bioscience, Inc.	2,085	1.8	A biopharmaceutical company focused on neurological and endocrine diseases and disorders.
Total of 20 largest quoted investments		**60,531**	**51.2**	
Remaining 41 quoted investments		39,869	33.7	
Total of all 61 quoted investments		**100,400**	**84.9**	

Valuation methodology

A description of the methodology used to value the 3i Bioscience portfolio is set out below in order to provide more detailed information than is included each year in the section on valuation of investments on page 21. The methodology complies in all material aspects with the guidelines of the British Venture Capital Association ("BVCA").

Basis of valuation

Investments are reported at the Directors' estimate of Fair Value at the reporting date. Fair Value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Quoted investments

Quoted investments are valued at the closing mid-market price at the balance sheet date. The marketability discounts recommended in the BVCA guidelines are applied to the quoted investments to reflect the size of the holding.

Where quoted investments are the subject of restrictions (i.e. limitations on sale) or where the holding is significant in relation to the issued share capital of a small and/or thinly traded quoted company, then an appropriate discount to the latest market price is applied.

Unquoted investments

Most unquoted investments are valued using one of the following methodologies:

- cost, less any required provision;
- earnings multiple;
- net assets;
- price of recent investment;
- expected sales proceeds.

New investments are valued at cost for the first 12 months and then until another methodology becomes more appropriate. This generally occurs when the first full set of accounts covering a period of at least six months since the date of investment becomes available.

Any investment in a company that has failed or is expected to fail within the next 12 months has the equity shares valued at nil and the fixed income shares and loan instruments valued at the lower of cost and net recoverable amount.

Generally, the process of estimating the Fair Value of an investment involves selecting one of the above methodologies and using that to derive an Enterprise Value for the investee company. The process is then to:

- deduct from the Enterprise Value all financial instruments ranking ahead of the Company;
- apply an appropriate Marketability Discount;
- apportion the remaining value over the other financial instruments including the Company's loans, fixed income shares and equity shares.

Where that apportionment indicates a shortfall against the loans or fixed income shares, then the Company considers whether, in estimating Fair Value, the shortfall should be applied, and if so, to what extent.

The Marketability Discount will generally be between 10%–30% with the level set to reflect the Company's influence over the exit prospects and timing for the investee company.

When using the earnings multiple methodology, earnings before interest and tax ("EBIT") are used, adjusted to a maintainable level and taxed at the standard corporation tax rate. Generally, the latest full year historical accounts are used unless there is an indication of a forecast downturn in earnings in the current or forecast year, in which case those earnings may be used. An appropriate multiple is applied to these earnings to derive an Enterprise Value. Normally the multiple will be the average taxed EBIT multiple for the relevant sector of the FTSE Global SmallCap Europe index, adjusted downwards by the Company to exclude loss-making companies.

Where a company reports an operating loss or the industry standard valuation methodology is by reference to the asset base, then the value may be estimated using the net assets methodology.

The price of recent investment methodology is used mainly for investments in venture capital companies and includes cost of the investment or valuation by reference to a subsequent financing round. Valuation increases above cost are only recognised if that round involved a new external investor and the company is meeting milestones set by the investors. The relevance of this methodology can be eroded over time due to changes in the technology, business or market which may indicate an impairment has occurred. In this case, carrying values will be reduced to reflect Fair Value.

Other factors that may be taken into account include:

- the expected effect of ratchets, options and liquidation preferences;
- any industry standard valuation methodology;
- offers received as part of a sale process which may either support the value derived from another methodology or be used as the valuation less a Marketability Discount of typically 10%.

Directors' report

Principal activity and business review
The principal activity of the Company is that of an investment company investing internationally in quoted and unquoted companies which have a significant focus on the life science and healthcare sectors.

A review of the developments of the business during the year, and likely future developments, is contained in the Chairman's statement on page 1, and the Investment Manager's review on pages 2 to 6.

Revenue and dividends
The net loss of the Company for the year ended 30 September 2004 amounted to £1,806,000 compared with a net loss of £1,704,000 for the year to 30 September 2003. The Directors do not recommend a dividend for the year ended 30 September 2004.

Assets
The net assets of the Company at 30 September 2004 totalled £121.5 million compared with net assets of £132.9 million at 30 September 2003. The net asset value per ordinary share as at 30 September 2004 was 271.7p compared with 297.2p at 30 September 2003.

Significant shareholdings
According to the Company's register of substantial shareholdings at 23 November 2004, the following had interests of 3% or more in its issued share capital:

	Number of shares	%
QVT Fund LP	9,788,450	21.89
The Standard Life Assurance Company	6,146,028	13.74
SG Options Europe	1,977,152	4.42
The Findlay Park US Smaller Companies Fund plc	1,845,750	4.13
Legal & General Group plc	1,439,455	3.21
Merchant Investors Assurance Company Limited	1,426,700	3.19

Directors
The Directors of the Company, all of whom are non-executive, are listed on page 7.

B A J Ponder retires in accordance with the Articles of Association but does not offer himself for reappointment.

The Directors are appointed for specific terms subject to their reappointment being approved by the shareholders.

Directors' interests
Those Directors who held office at the year end had the following interests in the shares of the Company, which include beneficial and family interests.

	As at 30 September 2004 Ordinary shares of 25p	As at 30 September 2003 Ordinary shares of 25p
D C P McDougall	**5,000**	5,000
R A G Sinclair	**2,500**	2,500

There have been no changes in these interests between 30 September 2004 and 23 November 2004. All the above interests are beneficial.

The Directors had no other disclosable interests in the shares of the Company.

The Company has no contracts with any of the Directors.

The Directors hold office in accordance with letters of appointment and the Company's Articles of Association.

Taxation and investment company status
The Company is an investment company as defined by section 266 of the Companies Act 1985 and carries on business as an investment trust.

The Inland Revenue has approved the Company as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the financial year ended 30 September 2003. Since that date, the Company has continued to conduct its affairs to enable it to obtain investment trust status for future accounting periods.

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution to reappoint RSM Robson Rhodes LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Corporate governance

As required by the Listing Rules of the Financial Services Authority, the Company has stated below the manner in which it has applied the Principles of the Combined Code ("the Code") relevant to reporting years commencing prior to 1 November 2003 and the extent of its compliance with the corresponding Code Provisions.

The Board

As the Board consists entirely of non-executive Directors, it has no Chief Executive Officer and principles B.1 to B.3 of the Code, relating to executive Directors' remuneration, are not applicable to the Company. The Board believes that the Directors, other than R D M J Summers (who was a Director of both 3i Group plc, the ultimate parent company of 3i Investments plc, and of 3i Investments plc until 31 December 2002), are independent of the Investment Manager. R A G Sinclair has been appointed as senior independent non-executive Director by the Board.

The Board has six scheduled Meetings a year. These comprise four Board Meetings at which it reviews investment performance, investment policy, revenue forecasts and other management information which is provided by the Investment Manager on a timely basis and two Board Meetings which focus more on developments and trends in the biotechnology sector.

The Board has adopted a schedule of matters reserved for its decision and a procedure for Directors to obtain independent professional advice, where appropriate, at the Company's expense.

Appointment of Directors

The Nomination Committee considers matters relating to the appointment of Directors and applies a procedure involving the determination of a specification for the particular post, identification of suitable candidates, measurement of the candidates against that specification and recommendation of the selected appointee to the Board.

The Articles of Association require each Director to seek reappointment after no more than three years in office.

Board Committees

The Company's Audit Committee comprises the independent non-executive Directors identified on page 7 and operates within defined terms of reference agreed by the Board. The Committee's function is to ensure that the Company maintains the highest standards of integrity, financial reporting and internal control. The Committee has met twice during the year, primarily to consider matters relating to the Company's: financial statements; internal controls and internal audit; and the external auditors.

The Company also has a Management Engagement Committee comprising the independent non-executive Directors of the Company. The function of this Committee is to ensure the Company's management contract is competitive and reasonable for shareholders.

The Company has constituted a Nomination Committee, comprising all the Directors of the Company, to consider matters relating to: the size, balance and composition of the Board and appointments to the Board.

The role of the Board and Investment Manager

The Board is responsible to shareholders for the overall management of the Company. It decides upon matters relating to the Company's investment objective, policy and strategy and monitors the Company's performance towards achieving that objective through its agreed policy and strategy. In common with many investment trusts, the Board comprises solely non-executive Directors and has appointed an Investment Manager to implement the Company's investment policy and strategy. The Investment Manager, operating under guidelines determined by the Board, has direct responsibility for decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. The Board has also adopted a schedule of matters reserved for its decision.

Internal controls

The Board is responsible for establishing and maintaining the Company's system of internal control. In September 1999, the Turnbull Committee issued its guidance entitled "Internal Control: Guidance for Directors on the Combined Code" (the "Turnbull guidance") to assist Directors in assessing the internal controls of a company.

The Turnbull guidance recognised that a sound system of internal control would rely on a thorough and regular evaluation of the nature and extent of the risks to which the Company is exposed. The Board has adopted a Risk Reporting and Review Structure intended to provide a framework for the identification, evaluation and management of key risks on an ongoing basis.

As part of this structure the Investment Manager provides risk reports for Directors to review, about every three months, identifying new risk or control issues. The Audit Committee also carries out an interim six month review of the Company's risk and control environment.

At the end of each financial year, the Audit Committee carries out an annual review of the Company's risk and internal control environment taking into account relevant reports of the management group's internal audit department and the Company's auditors.

The Investment Manager maintains its own internal control system which it applies to its clients' affairs. This system is periodically assessed by the management group's internal audit department and, insofar as it applies to the Company, is reviewed by the Company's auditors as part of their year-end audit and by the Audit Committee each year.

In general, internal control systems may differ between companies depending on their particular needs and the risks to which they are exposed, and by their nature can provide only reasonable but not absolute assurance against material misstatement or loss. In accordance with Code provision D.2.1, the Board has reviewed the Company's system of internal controls and the effectiveness of the key internal controls.

After review, the Board has decided that the Company does not require its own internal audit function. It has also reviewed the cost effectiveness, independence and objectivity of the auditors to ensure that an appropriate relationship is maintained.

General

The Company's willingness to enter discussions with institutional shareholders is demonstrated by the programmes of institutional presentations made by the Investment Manager. The Company also communicates with its private investors through its Annual General Meeting presentations and encourages private investor participation at such meetings.

The Directors have responsibilities in relation to the preparation of the accounts which are detailed later in this Report. The Board as a whole approves the Chairman's statement and Investment Manager's review, insofar as they appear in the annual and interim reports, to ensure that they present a balanced and understandable assessment of the Company's position and future prospects.

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Company has, throughout the year, complied with all provisions of the Code except provisions A.2.1 (insofar as it relates to Chief Executive Officers and senior independent non-executive Directors), and B.1.1–B.3.5 (relating to executive Directors' remuneration) explanations for which have been given above. A senior independent non-executive Director was appointed after the year end.

Corporate Social Responsibility

In pursuing its objective of combining the best possible returns for shareholders with an acceptable degree of risk, the Company will take into account the effect on a company's performance of environmental, ethical and social issues.

Voting policy

The Company's policy is to exercise voting rights through its custodian on matters affecting the interests of the Company.

The continuing appointment of the Investment Manager

The Asset Management division of 3i Investments plc (or, prior to March 2001, 3i Asset Management Limited) has been the Investment Manager since March 2000. On 7 July 2004, 3i Group plc announced that it intended to dispose of its quoted fund management activities. The Board has been reviewing the Company's investment management arrangements as explained in the Chairman's statement.

Special business – explanation for Annual General Meeting resolutions

Directors' remuneration report

Resolution 4 in the Notice of Annual General Meeting relates to the approval of the Directors' remuneration report on pages 15 and 16 of these Accounts.

Under section 241A of the Companies Act 1985, the Company is required to put an ordinary resolution to the members in general meeting seeking their approval of the Directors' remuneration report for the year ended 30 September 2004.

Repurchase of ordinary shares

A resolution to renew the Company's authority to purchase its own ordinary shares is set out in resolution 5 in the Notice of Annual General Meeting.

The Directors are seeking to renew the Company's authority to purchase up to a maximum of 6,702,905 ordinary shares, being 14.99% of the issued ordinary share capital of the Company as at 30 September 2004, at a price that is not less than the nominal value per share and not more than 5% above the average market value of the shares for the five business days preceding the buy-back. The Directors will consider repurchasing ordinary shares in the market if they believe it to be in the shareholders' interests. No share buy-backs were undertaken during the year to 30 September 2004.

Change of name

Resolution 6 in the Notice of Annual General Meeting relates to the proposed change in the Company's name to "The Bioscience Investment Trust plc". The proposed removal of the reference to "3i" in the Company's name is being put forward following the announcement that 3i Investments plc was withdrawing from the quoted asset management business.

Policy for paying creditors

The Company pays creditors in accordance with the CBI Prompt Payers Code of Good Practice, copies of which can be obtained from the Confederation of British Industry at Centre Point, 103 New Oxford Street, London WC1A 1DU. The Company had no trade creditors during the year.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results for the year. They are also responsible for ensuring that proper accounting records are kept and for taking such steps as are reasonably open to them to ensure that proper procedures have been followed to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Appropriate accounting policies, which comply with applicable accounting standards and are explained in the notes to the financial statements, have been applied consistently.

In addition, reasonable and prudent judgements and estimates have been used in the preparation of the financial statements, which have been prepared on a going concern basis.

By order of the Board

3i plc
Secretaries

24 November 2004

Directors' remuneration report

Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985, and an ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 17.

Remuneration Committee

The Company has five non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee.

The Board carried out a review of the level of Directors' fees during the year.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience and responsibilities of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. It is intended that this policy will continue for the year ended 30 September 2005 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

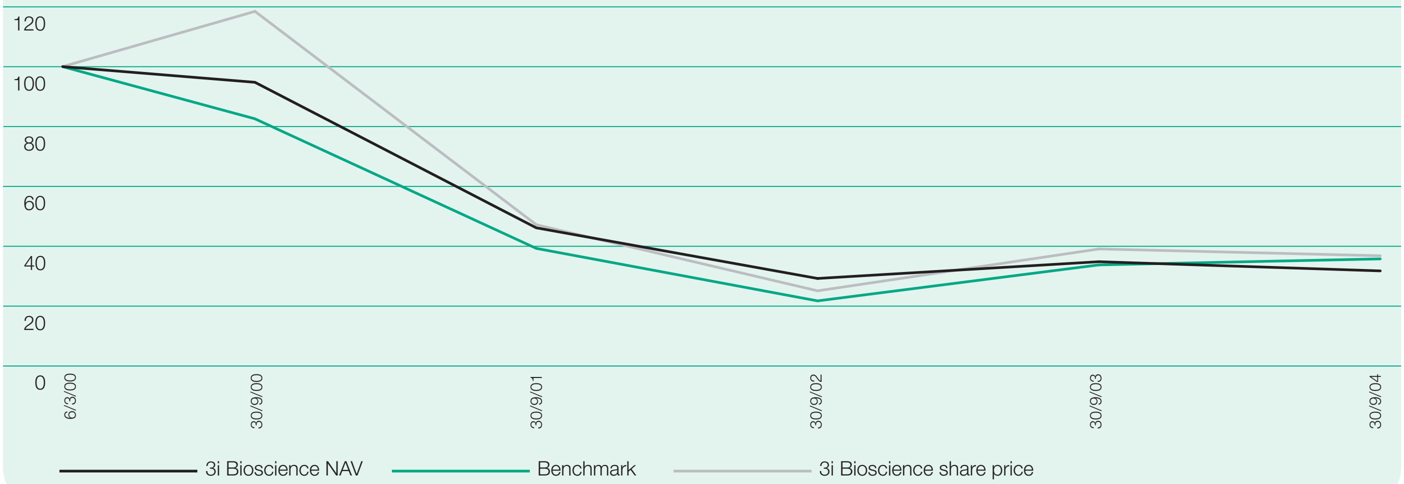
Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his appointment, and at least every three years after that.

Performance of the Company

The graph below compares the Company's total return to ordinary shareholders on the equity shares compared to the total notional shareholder return on an equivalent investment in the Company's benchmark index. This index is a composite capital return index comprising 60% of the return on the NASDAQ Biotechnology index rebased from US dollars to pounds sterling and 40% of the return on the FTSE techMARK Mediscience index. It was chosen for comparison purposes, as it is the index which the Board uses for investment performance measurement purposes. The total return on net assets is also shown so as to remove from the comparison the market effect of changes in the discount (or premium) between the share price and the Company's NAV.

Total shareholder return (cumulative)
6 March 2000 = 100



Directors' emoluments for the year (audited)

The Directors who served in the year received the following emoluments in the form of fees:

	Fees 2004 £'000	Fees 2003 £'000
Mr D C P McDougall (Chairman of the Board)	**25**	25
Professor C R Lowe	**15**	15
Professor B A J Ponder	**15**	15
Mr R A G Sinclair	**15**	15
Dr R D M J Summers*	**15**	11
	85	81

*Dr Summers became entitled to Directors' fees at a rate of £15,000 per annum with effect from 1 January 2003 and his fees for the year ended 30 September 2003 have been prorated accordingly.

Approval

This Directors' remuneration report was approved by the Board of Directors on 24 November 2004 and signed on its behalf by:

Douglas McDougall
Director

Independent auditors' report

to the shareholders of 3i Bioscience Investment Trust plc

We have audited the financial statements on pages 18 to 30. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out under the Statement of Directors' responsibilities in the Directors' report.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement, the Investment Manager's review, Ten largest unquoted investments, Twenty largest quoted investments and Valuation methodology. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 30 September 2004 and of its net revenue loss and total return for the year then ended; and
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and
Registered Auditors

London, England
24 November 2004

Statement of total return

(incorporating the revenue account) for the year ended 30 September

	Notes	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000	Revenue 2003 £'000	Capital 2003 £'000	Total 2003 £'000
Gains/(losses) on investments							
Net realised gains over previous valuation			849	849		4,958	4,958
Net unrealised value movement			(11,131)	(11,131)		17,178	17,178
			(10,282)	(10,282)		22,136	22,136
Net currency gains/(losses)			154	154		(105)	(105)
Income	2	121		121	330		330
Investment management fees	3	(1,680)		(1,680)	(1,722)		(1,722)
Incentive fees	3		519	519		923	923
Other expenses	4	(245)		(245)	(312)		(312)
Net return before finance costs and taxation		(1,804)	(9,609)	(11,413)	(1,704)	22,954	21,250
Overdraft interest payable		(2)	–	(2)	–	–	–
Return on ordinary activities before tax		(1,806)	(9,609)	(11,415)	(1,704)	22,954	21,250
Tax on ordinary activities	5	–	–	–	–	–	–
Return on ordinary activities for the financial year		(1,806)	(9,609)	(11,415)	(1,704)	22,954	21,250
Dividend proposed	6	–		–	–		–
Transfer (from)/to reserves	12	(1,806)	(9,609)	(11,415)	(1,704)	22,954	21,250
Return per ordinary share (pence)	7	(4.04)p	(21.49)p	(25.53)p	(3.81)p	51.33p	47.52p

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

Balance sheet

at 30 September

	Notes	2004 £'000	2003 £'000
Fixed assets			
Investments	8	**118,199**	134,020
Current assets			
Debtors	9	**170**	664
Cash at bank and money market funds		**4,061**	300
		4,231	964
Creditors: amounts falling due within one year	10	**(951)**	(1,653)
Net current assets/(liabilities)		**3,280**	(689)
Total assets less current liabilities		**121,479**	133,331
Provisions for liabilities and charges	3	**–**	(437)
Net assets		**121,479**	132,894
Capital and reserves			
Called-up share capital	11	**11,179**	11,179
Capital reserve – realised	12	**(209,646)**	(191,180)
– unrealised	12	**(36,833)**	(45,690)
Other distributable reserve	12	**368,877**	368,877
Revenue reserve	12	**(12,098)**	(10,292)
Total equity shareholders' funds		**121,479**	132,894
Net asset value per ordinary share (pence)	13	**271.7p**	297.2p

The financial statements on pages 18 to 30 were approved by the Board on 24 November 2004 and were signed on its behalf by:

Douglas McDougall
Director

Cash flow statement

for the year ended 30 September

	Notes	2004 £'000	2003 £'000
Operating activities			
Investment income received		**39**	107
Money market interest received		**48**	45
Deposit interest received		**2**	3
Underwriting commission received		**13**	–
Investment management and incentive fees paid		**(1,772)**	(1,977)
Other cash payments		**(223)**	(354)
Net cash outflow from operating activities	15	**(1,893)**	(2,176)
Servicing of finance			
Interest paid		**(2)**	–
Net cash outflow from servicing of finance		**(2)**	–
Financial investment			
Purchase of investments		**(46,518)**	(39,949)
Sale of investments		**52,020**	39,420
Net cash inflow/(outflow) from financial investment		**5,502**	(529)
Increase/(decrease) in cash	16	**3,607**	(2,705)

Notes to the financial statements

for the year ended 30 September 2004

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

b) Valuation of investments

Listed investments are valued at closing mid-market price. Investments quoted on a secondary market are valued at closing mid-market price less a discount of 25%. Where quoted investments are the subject of restrictions, an appropriate discount to the latest market price is applied. Unquoted investments are valued by the Board on the basis of the latest accounting and other relevant information. Further details on the valuation methodology are given on page 11.

Realised gains or losses on the disposal of investments are taken to capital reserve – realised. Unrealised gains or losses on the revaluation of investments are taken to capital reserve – unrealised.

c) Foreign currency

Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. Year end exchange rates are used to translate the value of investments, current assets and liabilities denominated in foreign currencies.

d) Income

Dividends receivable from equity investments are brought into account on the ex-dividend date. Dividends receivable from equity investments where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Fixed returns on non-equity investments and on debt securities are recognised on a time apportionment basis.

Interest receivable on deposits and money market funds is accounted for on an accruals basis.

e) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue account, except as follows:

– expenses which are incidental to the acquisition of an investment are included in the cost of the investment;
– expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
– expenses relating to incentive fees, which are dealt with below.

f) Investment management and incentive fees

The investment management fees for the Manager's services are charged to revenue. The incentive fee on realisations in the year is charged to capital reserve – realised and the incentive fee provision in respect of unrealised value growth in the portfolio is charged to capital reserve – unrealised.

g) Capital reserves

Gains and losses on the realisation of investments and foreign currency are accounted for in the capital reserve – realised. Increases and decreases in the valuation of investments and currency held at the year end are accounted for in the capital reserve – unrealised.

h) Deferred tax

Provision is made for deferred tax, using the liability method, on all material timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided at a rate at which it is anticipated that these timing differences will reverse. Deferred tax assets are recognised only when there is evidence that they are likely to be offset by taxable profits in the foreseeable future.

2 Income

	2004 £'000	2003 £'000
Income from investments		
UK dividends	**21**	37
Interest from other UK fixed income securities	**23**	1
Overseas dividends	**15**	1
Interest from overseas fixed income securities	**–**	245
Income from underwriting	**13**	–
	72	284
Other income		
Interest from money market funds	**47**	43
Deposit interest	**2**	3
Total income	**121**	330
Total income comprises:		
Dividends	**36**	38
Interest	**72**	292
Underwriting	**13**	–
	121	330
Income from investments:		
Listed UK companies	**34**	37
Listed overseas companies	**15**	–
Unlisted UK companies	**23**	1
Unlisted overseas companies	**–**	246
	72	284

3 Investment management and incentive fees

	2004 £'000	2003 £'000
Charged to revenue		
Investment management fee	**(1,509)**	(1,547)
Irrecoverable VAT	**(171)**	(175)
	(1,680)	(1,722)

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	2004 Total £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	2003 Total £'000
Credited to capital reserve						
Incentive fee	**68**	**402**	**470**	115	725	840
Irrecoverable VAT	**14**	**35**	**49**	19	64	83
	82	**437**	**519**	134	789	923

3 Investment management and incentive fees continued

Provision for incentive fee

The incentive fee provision is the amount of fee that would become payable, subject to the Internal Rate of Return ("IRR") hurdle on future payment dates being achieved, if the investment portfolio was "realised" at the value at which it was included in the balance sheet. The IRR hurdle has not been met and therefore no incentive fee has been provided.

The movement in incentive fee provision (including VAT) during the year comprises:

	Opening provision £'000	Released £'000	**Closing provision £'000**
Incentive fee	(437)	437	**–**

The movement in incentive fee creditors (including VAT) during the year comprises:

	Opening creditor £'000	Released £'000	Paid £'000	**Closing creditor £'000**
Creditors: Incentive fee	(106)	82	24	**–**

Management fee

3i Investments plc receives an investment management fee for its services, payable quarterly, and incentive fees. The investment management fee is calculated as follows:

(i) 1% per annum of the net asset value of quoted investments (the "Quoted Portfolio") and any cash balances and other liquid resources;

(ii) 2% per annum of the net asset value of new unquoted investments where the first investment by the Company is made after the transfer of investments from Biotechnology Investments Limited (the "3i Originated Portfolio");

(iii) 2% per annum of the net asset value of unquoted investments transferred to the Company from Biotechnology Investments Limited ("BIL"), advice in respect of which was provided to BIL by Domain Associates, together with any relevant "follow-on" investments (the "Legacy Portfolio B"); and

(iv) 1.75% per annum of the net asset value of unquoted investments transferred to the Company from BIL, advice in respect of which was not provided to BIL by Domain Associates, together with any relevant "follow-on" investments (the "Legacy Portfolio A").

For the purposes of the above, unquoted investments also include quoted investments which are subject to a restriction on their sale by the Company.

Incentive fee

Quoted portfolio incentive fees

An incentive fee is payable in respect of the Quoted Portfolio in respect of consecutive three year periods commencing 1 October 2000 until termination of the Management Agreement. An amendment to the Management Agreement was agreed by the Board on 5 December 2002. With effect from 1 October 2002 the incentive fee will be as follows:

There shall be a performance fee of 15% of the amount by which the portfolio outperforms a performance equal to the benchmark plus 3% per annum over consecutive three year periods except that the addition of 3% per annum will not apply to the years ending 30 September 2001 and 30 September 2002. No performance fee will be payable if the performance of the portfolio equals or falls short of the benchmark (without the addition of 3% per annum) over the period between 1 October 2000 and the end of a three year calculation period. Where the indexed portfolio is below the indexed benchmark at the start of a three year period but above the indexed benchmark at the end of the period, the indexed portfolio start point (but not the end point) shall be adjusted for the purposes of calculating the performance incentive fee. This adjustment shall consist of deeming the indexed portfolio at the start of the period to have the same value as the indexed benchmark; and shall be distinct from the 3% adjustment. Performance will be calculated after payment of annual management fees. The performance fee for each three year period will be capped at the sum of 1% of the value of quoted assets at the end of each of the three years of the period.

3 Investment management and incentive fees continued

3i originated unquoted portfolio incentive fees

An incentive fee is payable in respect of the 3i Originated Portfolio equal to 20% of any profit on the realisation of an investment in the portfolio. Realisation proceeds may include the proceeds of: (i) the sale for cash or other liquid resources ("cash") of an investment; (ii) the repayment of any loan or similar arrangement for cash including the redemption or purchase for cash of any preference shares or other redeemable security or interest; (iii) the receipt of any dividend, distribution or payment, including but not limited to interest or other periodic payments; (iv) the transformation of an investment into or the disposal of an investment for an instrument or security which becomes part of the Quoted Portfolio; and (v) the event of an investment becoming part of the Quoted Portfolio by reason of the cessation of any restrictions on the sale of such investment.

Legacy unquoted portfolios incentive fees

An incentive fee is payable in respect of the Legacy Portfolios equal to 15%, in respect of Legacy Portfolio A, and 20%, in respect of Legacy Portfolio B, in each case of any profit on the realisation of an investment in the portfolios.

Payment conditions in respect of incentive fees on unquoted investments

Any incentive fee payable in relation to a Legacy Portfolio or the 3i Originated Portfolio is payable in three equal annual instalments, the first after the quarter date following the realisation, provided that the IRR on the relevant portfolio is not less than 3% per annum on the relevant quarter date. If the IRR is less than 8% on a quarter date, the payment is deferred until after the first succeeding quarter date when the IRR is 8% or greater. No second or third instalment will be paid until, at the earliest, 12 months after the first or second (as appropriate) payment in respect of the relevant disposal. For the purposes of the IRR calculation, the 3i Originated Portfolio is split into separate pools of assets relating to discrete consecutive three year periods.

Term and termination arrangements

The Management Agreement will continue in force until terminated by either party giving not less than 12 months' notice in writing. In addition, the Management Agreement may be terminated forthwith (i) by the Company or the Manager if the other party has committed a material breach or commenced winding-up; (ii) by the Manager if there has been a change of control of the Company; (iii) by the Company if there is a change of control in the Manager or the senior person responsible for performing the duties of the Manager in relation to investments of the Company ceases to be so responsible and is not replaced appropriately.

In the event of termination, the Company shall pay management fees on a pro rata basis to the date of termination and incentive fees as follows: (i) in respect of the Quoted Portfolio calculated as described above save that the relevant period will end on the date of termination; (ii) in respect of the Legacy Portfolios and each 3i Originated Portfolio pool, all unpaid instalments of accrued incentive fees provided that the IRR condition is satisfied on the date of termination in respect of the relevant portfolio or pool; (iii) in respect of the Legacy Portfolios and each 3i Originated Portfolio pool, the relevant portfolio or pool will be valued on the basis of specified termination valuation provisions and incentive fees calculated accordingly on the basis that all investments in the relevant portfolio or pool had been realised at that valuation on the date of termination. The relevant incentive fees will be paid in full subject to satisfaction of the IRR condition in respect of that portfolio or pool on the date of termination.

In the event that the Management Agreement is terminated following a breach by the Manager, or in certain other circumstances, the payments under (iii) above are reduced or eliminated.

4 Other expenses

	2004 £'000	2003 £'000
Directors' emoluments	**92**	87
Auditors' remuneration – audit	**25**	25
– other services	**3**	3
Administrative expenses	**125**	197
	245	312
The Directors' emoluments comprised:		
Emoluments	**85**	81
Employer's National Insurance Contribution	**7**	6
	92	87

Further information can be found in the Directors' remuneration report on pages 15 and 16.

5 Tax on ordinary activities

a) Tax charge for the year

The tax charge for the year is nil (2003: nil).

b) Factors affecting the tax charge for the current year

Capital: The Company's affairs are directed so as to allow it to be approved as an investment trust. Investment trusts are exempt from tax on capital gains.

Revenue: Due to the availability of excess management expenses brought forward no provision has been made for UK corporation tax.

A reconciliation of the current tax charge for the year to the charge that would arise if the Company's pre-tax return was charged at the standard rate of corporation tax in the UK, currently 30% (2003: 30%), is as follows:

	2004 £'000	2003 £'000
Revenue account return on ordinary activities before tax	**(1,806)**	(1,704)
Revenue account return on ordinary activities before tax multiplied by standard UK corporation tax rate of 30% (2003: 30%)	**(542)**	(511)
Effects of:		
Non taxable UK dividend income	**(6)**	(11)
Excess management expenses carried forward	**378**	242
Release of provision for incentive fee	**156**	277
Expenses not deductible for tax purposes	**14**	3
Tax charge for the year	**–**	–

c) Factors that may affect future tax charges

The Company currently has and expects to continue to generate surplus tax losses in view of its approved investment trust status. A deferred tax asset in respect of these surplus losses is not recognised because their utilisation is considered unlikely in the foreseeable future.

6 Dividend proposed

No dividend is proposed in respect of the year (2003: nil).

7 Return per ordinary share

The return per ordinary share is based on the following figures:

	2004	2003
Revenue return (£'000)	**(1,806)**	(1,704)
Capital return (£'000)	**(9,609)**	22,954
Number of ordinary shares in issue	**44,715,844**	44,715,844

8 Investments

	Equity shares £'000	Fixed income shares £'000	Loan investments £'000	2004 Total £'000	Equity shares £'000	Fixed income shares £'000	Loan investments £'000	2003 Total £'000
Investments listed on a recognised investment exchange:								
UK	**18,555**	**–**	**–**	**18,555**	25,347	–	–	25,347
Overseas	**81,845**	**–**	**–**	**81,845**	82,904	–	–	82,904
Total listed investments	**100,400**	**–**	**–**	**100,400**	108,251	–	–	108,251
Unlisted investments	**10,022**	**6,186**	**1,591**	**17,799**	14,510	10,766	493	25,769
Total investments	**110,422**	**6,186**	**1,591**	**118,199**	122,761	10,766	493	134,020

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	2004 Total £'000
Opening cost	**29,114**	**105,291**	**44,868**	**179,273**
Net opening unrealised depreciation	**(3,767)**	**(22,387)**	**(19,099)**	**(45,253)**
Opening valuation	**25,347**	**82,904**	**25,769**	**134,020**
Movements in the year:				
Purchases at cost	**5,268**	**37,127**	**3,576**	**45,971**
Sales and write-offs – proceeds	**(13,010)**	**(36,799)**	**(1,701)**	**(51,510)**
– realised losses on sales and write-offs	**(3,283)**	**(12,587)**	**(2,832)**	**(18,702)**
Change on listing – cost	**–**	**1,132**	**(1,132)**	**–**
– unrealised depreciation	**–**	**(75)**	**75**	**–**
Increase in unrealised appreciation/(depreciation)	**4,233**	**10,143**	**(5,956)**	**8,420**
Closing valuation	**18,555**	**81,845**	**17,799**	**118,199**
Comprising:				
Closing cost	**18,089**	**94,164**	**42,779**	**155,032**
Unrealised appreciation	**3,065**	**16,413**	**1,630**	**21,108**
Unrealised depreciation	**(2,599)**	**(28,732)**	**(26,610)**	**(57,941)**
Net closing unrealised appreciation/(depreciation)	**466**	**(12,319)**	**(24,980)**	**(36,833)**
Closing valuation	**18,555**	**81,845**	**17,799**	**118,199**

8 Investments continued

	Opening valuation £'000	Net transactions £'000	Appreciation/ (depreciation) £'000	Closing valuation £'000
Equity shares				
Listed				
UK	25,347	(7,742)	950	18,555
Continental Europe	1,363	3,391	1,310	6,064
North America	81,541	(3,644)	(4,448)	73,449
Rest of world	–	581	1,751	2,332
	108,251	(7,414)	(437)	100,400
Equity shares				
Unlisted				
UK	3,765	1,109	(855)	4,019
Continental Europe	7,265	662	(2,450)	5,477
North America	2,194	172	(2,281)	85
Rest of world	1,286	(245)	(600)	441
	14,510	1,698	(6,186)	10,022
Fixed income shares				
Unlisted				
UK	550	–	(550)	–
Continental Europe	1,168	–	(1,168)	–
North America	9,048	(913)	(1,949)	6,186
	10,766	(913)	(3,667)	6,186
Loan investments				
Unlisted				
UK	314	462	129	905
Continental Europe	–	672	14	686
North America	179	(44)	(135)	–
	493	1,090	8	1,591
Total investments	134,020	(5,539)	(10,282)	118,199

A list of the Company's twenty largest quoted investments by their aggregate market value is shown on page 10 and the ten largest unquoted investments are shown on pages 8 and 9.

The Company's wholly owned subsidiary Bioscience Funding Limited, which was registered in England and Wales and had an issued share capital of £1 was dissolved on 23 December 2003. This subsidiary was immaterial and as a result consolidated accounts have not been prepared.

9 Debtors

	2004 £'000	2003 £'000
Falling due within one year:		
Amounts due from brokers	**130**	640
Prepayments and accrued income	**40**	23
Other debtors	**–**	1
	170	664

10 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Amounts due to brokers	**–**	547
Incentive fee	**–**	106
Other creditors	**951**	1,000
	951	1,653

11 Called-up share capital

	2004 Number	2003 Number	2004 £'000	2003 £'000
Authorised:				
Ordinary shares of 25p each	**75,000,000**	75,000,000	**18,750**	18,750
Allotted, called-up and fully paid:				
Ordinary shares of 25p each	**44,715,844**	44,715,844	**11,179**	11,179

12 Reserves

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other distributable reserve £'000	Revenue reserve £'000
Opening reserves	**(191,180)**	**(45,690)**	**368,877**	**(10,292)**
Unrealised depreciation at beginning of year on investments realised in the year	**(19,551)**	**19,551**		
Net gain on realisation of investments over previous valuation	**849**			
Unrealised depreciation		**(11,131)**		
Incentive fee	**82**	**437**		
Foreign exchange rate differences	**154**			
Retained net loss for the year				**(1,806)**
Closing reserves	**(209,646)**	**(36,833)**	**368,877**	**(12,098)**

13 Net asset value per ordinary share

	2004	2003
Total shareholders' funds (£'000)	**121,479**	132,894
Number of shares in issue at the year end	**44,715,844**	44,715,844
Net asset value (pence per share)	**271.7p**	297.2p

14 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Opening shareholders' funds	**132,894**	111,644
Net revenue loss for the year	**(1,806)**	(1,704)
Total recognised capital (losses)/gains for the year	**(9,609)**	22,954
Closing shareholders' funds	**121,479**	132,894

15 Reconciliation of net revenue before finance costs and taxation to net cash outflow from operating activities

	2004 £'000	2003 £'000
Net revenue before finance costs and taxation	**(1,804)**	(1,704)
Capitalised interest	**–**	(176)
Incentive fee released from capital	**519**	889
Incentive fees paid in specie	**–**	597
(Increase)/decrease in accrued income	**(17)**	2
Decrease in creditors	**(155)**	(1,020)
Decrease/(increase) in debtors	**1**	(9)
Decrease in provisions for liabilities and charges	**(437)**	(755)
Net cash outflow from operating activities	**(1,893)**	(2,176)

16 Analysis of changes in cash during the year

	2004 £'000	2003 £'000
Opening cash	**300**	3,110
Increase/(decrease) in cash in the year	**3,607**	(2,705)
Effect of foreign exchange rate changes	**154**	(105)
Closing cash	**4,061**	300

17 Financial instruments

The Company's financial instruments comprise investments in equity shares, fixed income shares, loan investments and warrants of quoted and unquoted life science and healthcare companies in accordance with the Company's stated investment objective. In addition, the Company holds cash, and has debtors and creditors that arise directly from its operations, in respect of sales and purchases awaiting settlement and accrued income. The fair value of financial assets and financial liabilities equates to their value in the balance sheet.

As an investment trust, the Company invests in securities for the long term.

The Manager has not used derivatives to hedge the portfolio.

The main risks arising from the Company's financial instruments are market price risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing these risks. These policies have remained unchanged throughout the year under review.

a) Market price risk

Market price risk arises mainly from uncertainty about future prices of the financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. While it is not possible to protect on a cost-effective basis against the risk of a downturn in stock markets generally or in the biotechnology sector in particular, there are regular reviews of holdings in quoted equities and exposure to individual sub-sectors in order to monitor the level of risk and mitigate exposure where appropriate.

b) Interest rate risk

As a matter of policy the Board has not sought to enhance returns by gearing.

c) Foreign currency risk

The Company's total return and net assets can be affected by currency translation movements as a significant proportion of the Company's assets and revenue are denominated in currencies other than sterling.

At the year end, the currency exposures of the Company were as follows:

	Investments £'000	Current assets £'000	Liabilities £'000	2004 Net assets £'000	Investments £'000	Current assets £'000	Liabilities £'000	2003 Net assets £'000
Sterling	**20,990**	**3,537**	**(904)**	**23,623**	27,080	187	(1,051)	26,216
US dollar	**73,574**	**647**	**(47)**	**74,174**	91,339	758	(1,039)	91,058
Euro	**12,343**	**37**	**–**	**12,380**	7,624	19	–	7,643
Canadian dollar	**6,943**	**–**	**–**	**6,943**	5,357	–	–	5,357
Swiss franc	**1,721**	**–**	**–**	**1,721**	1,897	–	–	1,897
Japanese yen	**1,218**	**–**	**–**	**1,218**	449	–	–	449
Swedish krona	**267**	**–**	**–**	**267**	274	–	–	274
Australian dollar	**1,143**	**10**	**–**	**1,153**	–	–	–	–
	118,199	**4,231**	**(951)**	**121,479**	134,020	964	(2,090)	132,894

d) Liquidity risk

The majority of the Company's assets by value comprise listed securities. The ability to sell these investments to meet funding requirements can be restricted as the market for such shares can prove to be relatively illiquid. In addition the investment may be subject to restrictions when the company concerned becomes publicly quoted. In terms of liquidity risk, the Company has a policy of maintaining a small cash balance.

Glossary

Angiogenesis
The process of new blood vessel formation. Antiangiogenic therapies aim at preventing the growth of new blood vessels, for example to cut off the blood supply to tumours.

Antibody
A protein produced in the body as part of the immune system, which specifically recognises and binds to the antigen that elicits its formation: an anti-foreign body.

Atherosclerosis
A progressive disease of the arteries that results from inflammation and the build up of plaque under the inner lining of blood vessels, which can eventually lead to blockage of the vessel.

Autologous
Derived or transferred from the same individual's body.

Bioavailability
The experimentally determined distribution of drug active substance throughout the body with particular reference to certain organs, for example, the liver.

Biopharmaceutical
A relatively large pharmaceutical molecule of biological origin, which is normally characterised by its biological function rather than chemical structure.

Biotechnology
The use of biological components, systems or processes in manufacturing and service industries.

Clone
Collection of genes, cells or organisms produced from a common ancestor and all genetically identical.

Cytokine
A soluble molecule which modulates the functional activity of a cell or mediates interaction between cells.

Diagnostics
Reagents used to detect the presence or measure the quantity of certain biological markers associated with a disease or disorder. Diagnostic kits are normally used to test blood or tissue samples outside the body.

DNA probe
A piece of DNA corresponding to a gene or sequence of interest that has been labelled either radioactively or with some other detectable molecule. The probe will hybridise to its complementary sequence under specific conditions and hence can detect the sequence of interest.

Electrophoretic
A method to separate biological molecules based on molecular size and charge.

Endocrine
Pertains to the production and regulation of hormones.

Gene
The basic unit of heredity, a DNA sequence which usually codes for (i.e. contains the chemical instructions to make) a protein. A "chromosome" is made up of many genes.

Genomics
The scientific study of the genome, which constitutes the genetic make-up of an individual.

HIV
Human Immunodeficiency Virus, the agent responsible for Acquired Immune Deficiency Syndrome ("AIDS").

Humanised antibody
A genetically engineered antibody in which part of an antibody developed in mice to attack a specific antigen is transplanted onto a human antibody. The resulting mouse/human antibody excites little or no response from the human immune system.

Hydroxyapatite
A calcium phosphate crystalline complex which is a major component of bone and teeth, and gives those tissues their rigidity. Hydroxyapatite makes up bone mineral and the matrix of teeth.

Immunotherapy
The treatment of disease by exploiting the activity of the natural immune system or its components.

Leukaemia
Cancer of leukocytes (white blood cells).

MDS (Myelodysplastic syndromes)
A pre-leukaemia disease in which the bone marrow does not function normally, and insufficient numbers of mature blood cells are in circulation.

Metabolism
The sequences of enzyme-catalysed reactions that transform molecules from one form into another, such as those involved in the breakdown or synthesis of carbohydrates, fats and proteins.

Molecular biology
The science which aims at understanding the molecular mechanisms responsible for living processes.

Molluscum contagiosum
A skin condition caused by viral infection that is characterised by the formation of soft, rounded flesh-coloured lesions that then become pearly white and translucent.

Monoclonal antibody
A single antibody which typically recognises a specific antigen such as a protein or other chemical, an organism or part of an organism. Monoclonal antibodies are usually produced from a single clone of hybridoma cells.

Multiple myeloma
A progressive blood disease, multiple myeloma is a cancer of the plasma cells, the cells that produce antibodies. Production of abnormal plasma cells may result in kidney damage, increased susceptibility to infection and anaemia.

Non-Hodgkin's lymphoma
Non-Hodgkin's lymphoma is the term applied to a group of cancers of the lymphatic system. Together, they are the sixth most common cancer in the United States. The condition arises when lymph cells undergo malignant change, beginning to crowd out healthy cells and developing tumours on the lymph nodes.

Nucleic acids
Large biological polymers which store genetic information and direct protein synthesis; DNA and RNA are nucleic acids.

Oncology adjunctive therapy
Multiple combination therapies for cancer. Most clinical trials in oncology are now adjunctive since the experimental agent is added to the existing standard of care, often chemotherapy or radiation.

Pathogen
A disease-causing agent.

Psoriasis
A chronic, genetic, non-contagious skin disorder linked to the immune system. The disease is unsightly and distressing. Currently considered incurable, existing treatments for psoriasis are palliative and success varies from individual to individual.

Pulmonary arterial hypertension
A chronic, life-threatening disorder which is characterised by abnormally high blood pressure in the arteries between the heart and lungs.

Radiographic
A detection and quantification method using weak isotope-labelled nucleic acids or proteins and photographic film.

Thrombolytic
Dissolving or splitting up a thrombus (blood clot).

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of 3i Bioscience Investment Trust plc ("the Company") will be held at the offices of Cazenove & Co, 20 Moorgate, London EC2R 6DA on 8 February 2005 at 11.00 am for the purpose of transacting the following business:

Ordinary business

1 To receive the report of the Directors and the accounts for the year ended 30 September 2004.

2 To reappoint RSM Robson Rhodes LLP, Chartered Accountants, as auditors.

3 To authorise the Directors to agree the remuneration of the auditors for the year ending 30 September 2005.

Special business

To consider and, if thought fit, to pass the following resolutions of which resolution 4 will be proposed as an ordinary resolution and resolutions 5 and 6 as special resolutions:

4 THAT the Directors' remuneration report be approved.

5 THAT the Company be generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of that Act) of ordinary shares of 25p in the capital of the Company ("ordinary shares") provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 6,702,905 being 14.99% of the issued ordinary share capital of the Company as at 30 September 2004;

(b) the minimum price which may be paid for an ordinary share is 25p, the nominal value;

(c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;

(d) this authority expires at the conclusion of the next Annual General Meeting of the Company to be held in 2006 or within 15 months from the date of the passing of this resolution whichever is the earlier; and

(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

6 THAT the name of the Company be changed to "The Bioscience Investment Trust plc".

By order of the Board

3i plc
Secretaries

91 Waterloo Road
London SE1 8XP

24 November 2004

Notes

Pursuant to Regulation 41(1) of The Uncertificated Securities Regulations 2001, those persons entered on the register of members of the Company as at close of business on 6 February 2005 will have the right to attend and vote at the Annual General Meeting on 8 February 2005.

A member entitled to attend and vote may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

Instruments appointing a proxy, to be effective, must be lodged with the Company's registrars not less than 48 hours before the time appointed for the holding of the meeting.

The Directors have no service contracts with the Company.

Investor relations

Financial calendar 2005

Annual General Meeting	8 February
Interim results for the half year to 31 March 2005 to be announced	May
Interim statement to be posted	June

Other information

The Company is a member of The Association of Investment Trust Companies.

The NAV per share of the Company is released to the Stock Exchange daily and these announcements are available on the Company's website (www.3ibioscience.com). The Company's NAV per share is also published monthly and is available from The Association of Investment Trust Companies, 9th Floor, 24 Chiswell Street, London EC1Y 4YY.
Telephone: +44 (0)20 7282 5555. Website: www.aitc.co.uk

The price of the Company's ordinary shares appears daily in the Financial Times Share Information Service as well as on the Company's website and on various financial websites.

The ordinary shares of the Company qualify for the stocks and shares component of an ISA provided that they are acquired, by an ISA Manager, in the market. The subscription limit for an ISA Maxi-account is £7,000 for the tax year 2004/2005.

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